

Consolidated  
Morrison  
Explorations  
Limited  
Annual Report  
1979



**Officers**      A. W. Stollery, *Chairman*  
A. Gordon Stollery, *President*  
George T. Smith, *Vice-President*  
M. A. Columbus, *Secretary-Treasurer*

**Consulting Petroleum Geologist**      Joe W. Harris

**Directors**      M. A. Columbus, *Calgary, Alberta*  
William James, *Toronto, Ontario*  
H. Reimer, *Toronto, Ontario*  
George T. Smith, *Toronto, Ontario*  
Robert M. Smith, *Oakville, Ontario*  
A. Gordon Stollery, *Calgary, Alberta*  
A. W. Stollery, *Unionville, Ontario*

**Honorary Directors**      Dr. P. W. Ferris, *Toronto, Ontario*  
D. R. Watt, *Toronto, Ontario*

**Auditors**      Coopers & Lybrand,  
Chartered Accountants

**Registrars and Transfer Agent**      Canada Permanent Trust Company,  
20 Eglinton Ave. West,  
Toronto, Canada.

**Bankers**      Canadian Imperial Bank of Commerce,  
Main Branch, Calgary, Alberta

**Stock Exchange Listing**      Toronto Stock Exchange  
(Symbol "CMR")

**Executive Offices**      Suite 1003  
605 — 5th Ave., S.W.  
Calgary, Alberta T2P 3H5  
403-262-5242  
  
Suite 1700,  
11 King St. West,  
Toronto, Canada M5H 1A9  
416-363-1644



# Directors' Report to the Shareholders

For the Year ended December 31, 1979  
Consolidated Morrison Exploration Ltd.



- 1. Signalta area of interest
- 2. Sawtooth area of interest

The year 1979 was Consolidated Morrison's first full year of operations headquartered in Alberta and was the most successful year in some time. Oil and gas activity became the Company's primary emphasis.

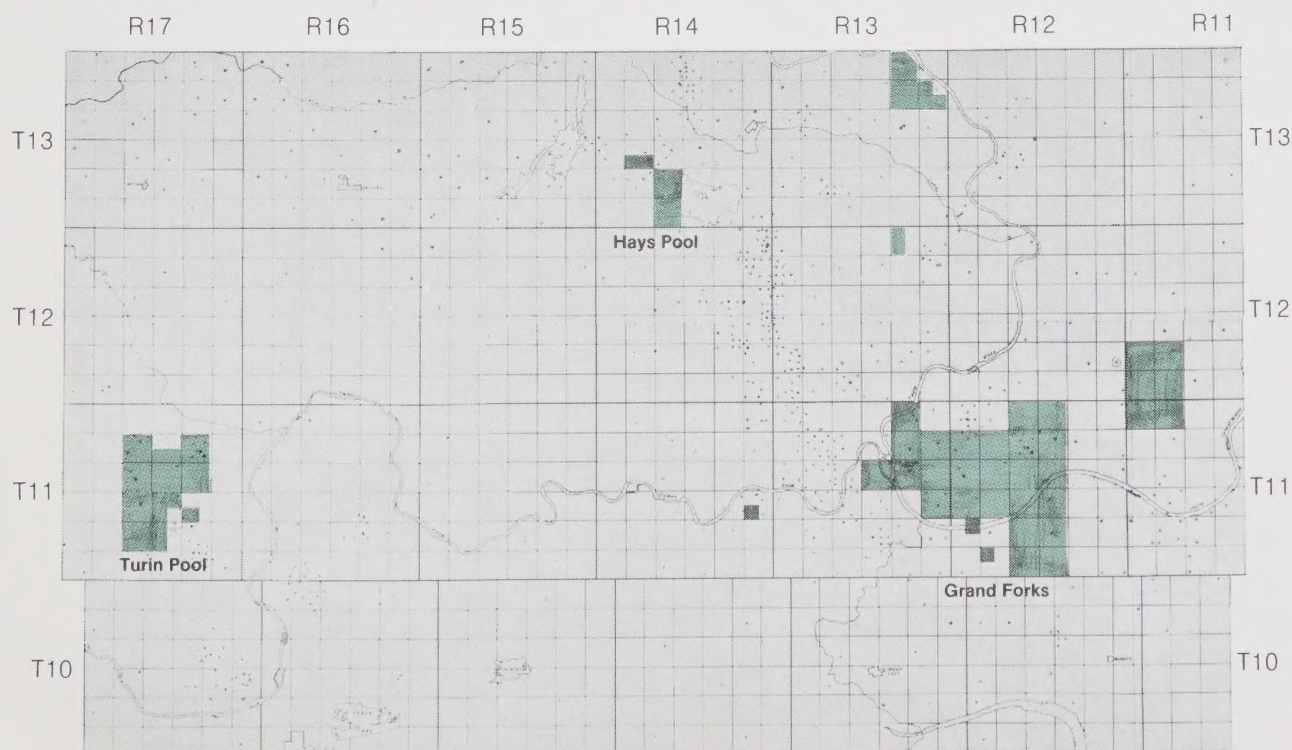
## OIL AND GAS EXPLORATION

The Company participated in the drilling of 196 exploration and development wells. The Company's cash flow and reserve picture is becoming increasingly healthy. Projected revenue in 1980 from existing properties should exceed \$750,000. The future undiscounted cash flow from the Company's oil and gas properties exceeds \$22,000,000. (refer attached table).

## Signalta Joint Venture

In partnership with Signalta Resources Ltd. of Calgary, the Company participated in the drilling of 93 wells in 1979 at a cost of approximately \$1,100,000. Significant reserves have been established which, with a few exceptions, are all on stream and producing. The 1980 Signalta budget calls for a slightly expanded program which will cost the Company \$1,600,000 to maintain a 10% working interest. Activity is concentrated in East Central Alberta with a minor involvement in North East British Columbia. Through Signalta, the Company owns an interest in 273,185 gross acres and 12,337 net acres in Alberta and B.C.

## Location of Morrison Lands in Southern Alberta



### **Renaissance Joint Venture**

The Company participated for the third year in Renaissance's exploration program which, to date, has been very successful. Cash flow from Renaissance however, is dependent on gas exports to the United States and consequently, the Company reduced its participation somewhat due to emphasis on ventures with early cash flow prospects.

### **Sawtooth Project Joint Venture**

In early 1980, the Company completed arrangements with partners to conduct a two year \$10,000,000 oil exploration and acquisition program in Southern Alberta. The Company will be the operator of this program and has retained Joe W. Harris to assemble exploration prospects for this venture.

The budget for 1980 is \$4,000,000 of

which \$2,000,000 is allocated for exploration and \$2,000,000 for acquisition of existing producing properties. The 1981 budget of \$6,000,000 will be devoted entirely to exploration. The Company has invited a number of other participants to join in this program with the result that the Company will pay 38.5% of the expenditures to earn a 47.63% working interest. Several interesting parcels of land have been acquired to date and a number of acquisitions investigated.

### **Harris Properties**

The acquisition of Harris Exploration Ltd. in 1979 proved favourable for the Company. Seven exploration and development wells were drilled subsequent to our purchase of which five were completed as oil wells, four of which flow naturally and one which is a pumper. During the year, the Company sold its interest in the South Winnifred gas unit to reduce corporate debt. The Company now has a working interest in eleven oil wells in Southern Alberta of which nine are natural flowing wells. As a result of the Harris acquisition and the start of the Sawtooth Project, the Company has an interest in approximately 30,000 gross acres and 6,000 net acres in the oil prone area of Southern Alberta.



## General

Consolidated Morrison is involved in a small number of grass roots oil and gas exploration ventures in Alberta. One of the more interesting of these is in the Lac La Biche area of North Eastern Alberta where it has purchased a 25% working interest in 3,840 acres of prospective gas lands.

## ACQUISITIONS

A large number of potential acquisitions were investigated in 1979. One of these may be completed shortly. Some of the other attractive acquisitions escaped our grasp due to the competitive nature of the business. We believe that the acquisition route has many virtues and hence we continue to emphasize this approach.

## MINERAL PROJECTS

Exploration was carried out in 1979 on the Flin Flon Project by the Company as operator and in Newfoundland on its behalf by Rio Tinto. Little encouragement was obtained and hence it is planned to phase out these projects.

One interesting development however, was the signing of an option on the columbium deposit near Moosonee, Ontario with a major U.S. columbium consumer. This Company is presently carrying on a comprehensive feasibility study on the deposit. The results will be available shortly.

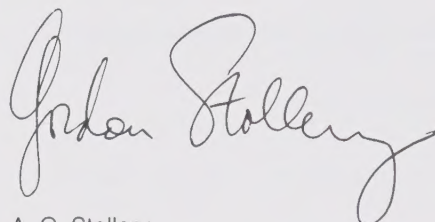
## FINANCIAL

During the year, Noranda Mines Ltd. split its common shares 3 for 1 and the Company is now the owner of 450,000 shares of Noranda. On an annualized basis, Noranda dividends will provide \$540,000 of income in 1980.

## 1980 OUTLOOK

During 1978 and 1979, a solid foundation was built for the Company in the oil and gas business by the successful expenditure of nearly \$5,000,000. Our capital and acquisition budget will exceed \$5,000,000 in 1980. To further emphasize the changing nature of the Company's activities, the shareholders will be asked at the annual meeting to approve the change of the Company's name to Morrison Petroleum Ltd.

On behalf of the Board of Directors.



A. G. Stollery  
President

May 21, 1980

## OIL & GAS RESERVE SUMMARY EFFECTIVE JANUARY 1, 1980

	Net Working Interest Remaining Reserves Before Deduction of Royalties		Future Cash Flow Before Income Taxes	
	Oil (MSTB)	Gas (MMSCF)	Undiscounted (\$M)	Discounted @ 15% (\$M)
Proven	432	6.12	20,724	6,541
Proven + Probable	534	6.75	22,750	7,278

## Consolidated Balance Sheet

as at December 31, 1979

Consolidated Morrison Explorations Limited

### ASSETS

Current Assets	1979 \$	1978 \$
Accounts receivable .....	2,592,286	153,809
Current portion of mortgages receivable .....	239,515	172,001
	<u>2,831,801</u>	<u>325,810</u>
Mortgages Receivable (note 2) .....	1,994,054	2,351,931
Investment in and Advances to Exploration Services Joint Ventures .....	196,064	110,014
Investment in Other Companies — at cost (quoted market value — \$10,101,333; 1978 — \$5,518,633) (note 3) .....	335,623	332,623
Oil and Gas Properties and Equipment (note 4) .....	3,461,581	1,581,993
Mining Properties (note 5) .....	1,739,388	2,415,536
Land Held for Investment — at cost (note 6) .....	1,375,251	1,351,497
Fixed Assets — at cost, less accumulated depreciation and amortization (1979 — \$91,937; 1978 — \$86,707) .....	53,023	27,843
	<u>11,986,785</u>	<u>8,497,247</u>

### Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Consolidated Morrison Explorations Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of one of the joint ventures.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 2, 1980  
Toronto, Canada

Coopers & Lybrand  
Chartered Accountants

## LIABILITIES

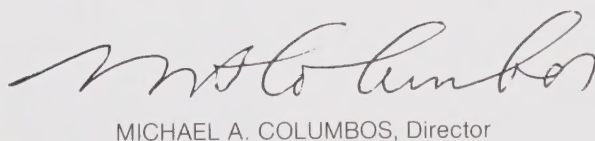
<b>Current Liabilities</b>	<b>1979</b>	<b>1978</b>
	\$	\$
Bank indebtedness .....	103,459	85,008
Bank loans (note 7) .....	3,905,000	2,225,000
Accounts payable and accrued liabilities .....	393,316	44,586
Current portion of long-term debt .....	270,000	281,500
Promissory notes payable .....	—	198,989
	<u>4,671,775</u>	<u>2,835,083</u>
 <b>Long-Term Debt (note 8)</b>		
Term bank loan .....	1,546,933	—
Mortgages on real estate .....	251,500	281,500
	<u>1,798,433</u>	<u>281,500</u>
Less: Current portion .....	270,000	281,500
	<u>1,528,433</u>	<u>—</u>
	<u>6,200,208</u>	<u>2,835,083</u>

## SHAREHOLDERS' EQUITY

<b>Capital Stock (note 9)</b>		
Authorized — 10,000,000 shares of no par value		
Issued and fully paid — 4,530,000 shares .....	7,021,500	7,021,500
Less: Discount .....	1,609,996	1,609,996
	<u>5,411,504</u>	<u>5,411,504</u>
<b>Retained Earnings</b> .....	375,073	250,660
	<u>5,786,577</u>	<u>5,662,164</u>
	<u>11,986,785</u>	<u>8,497,247</u>

Signed on Behalf of the Board

  
A. GORDON STOLLERY, Director

  
MICHAEL A. COLUMBOS, Director



## Consolidated Statement of Earnings

For the Year Ended December 31, 1979

Consolidated Morrison Explorations Limited

	1979	1978
	\$	\$
<b>Revenue</b>		
Oil and gas (net of royalties) . . . . .	371,656	—
Dividends . . . . .	382,500	219,900
Interest . . . . .	291,290	246,050
Exploration services joint ventures . . . . .	(14,000)	885
	<u>1,031,446</u>	<u>466,835</u>
<b>Operating, Administration and Financial Expense</b>		
Operating and administration expenses . . . . .	250,884	184,964
Interest on long-term debt . . . . .	151,043	27,440
Other interest . . . . .	401,364	211,450
Depletion, depreciation and amortization . . . . .	158,342	9,985
	<u>961,633</u>	<u>433,839</u>
Less: Amounts allocated to mining and oil and gas exploration . . . . .	212,317	147,112
	<u>749,316</u>	<u>286,727</u>
<b>Earnings Before Exploration Activity and Extraordinary Item</b> . . . . .	<u>282,130</u>	<u>180,108</u>
<b>Exploration Activity</b>		
General exploration costs . . . . .	305,150	139,014
Mining properties abandoned and exploration expenditures applicable to properties written off . . . . .	600,039	367,075
Provision for U.S. oil and gas joint venture loss . . . . .	231,639	341,291
Gain on sale of mining and oil and gas properties . . . . .	(979,111)	—
	<u>157,717</u>	<u>847,380</u>
<b>Earnings (Loss) Before Extraordinary Item</b> . . . . .	<u>124,413</u>	<u>(667,272)</u>
<b>Extraordinary Item</b>		
Gain on sale of investments . . . . .	—	1,219,065
<b>Net Earnings for the Year</b> . . . . .	<u>124,413</u>	<u>551,793</u>
<b>Per Share Information:</b>		
Earnings before exploration activity and extraordinary item . . . . .	\$0.06	\$0.04
Earnings (loss) before extraordinary item . . . . .	\$0.03	\$(0.15)
Net earnings for the year . . . . .	\$0.03	\$0.12

## Consolidated Statement of Retained Earnings

for the year ended December 31, 1979

Consolidated Morrison Explorations Limited

	1979	1978
	\$	\$
<b>Balance — Beginning of Year</b> . . . . .	250,660	2,190,367
Net earnings for the year . . . . .	124,413	551,793
	<u>375,073</u>	<u>2,742,160</u>
Amount transferred to capital stock (note 10) . . . . .	—	2,491,500
<b>Balance — End of Year</b> . . . . .	<u>375,073</u>	<u>250,660</u>



## Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1979

Consolidated Morrison Explorations Limited

<b>Source of Working Capital</b>	<b>1979</b>	<b>1978</b>
Current operations —		
Net earnings (loss) for the year before extraordinary item . . . . .	<b>124,413</b>	(667,272)
Items not affecting working capital —		
Depreciation, depletion and amortization . . . . .	<b>158,342</b>	9,985
Loss (income) from exploration services joint ventures . . . . .	<b>14,000</b>	(885)
Mining properties abandoned . . . . .	<b>28,268</b>	75,409
Deferred exploration expenditures applicable to mining and oil properties abandoned . . . . .	<b>571,771</b>	291,666
Provision for U.S. oil and gas joint venture loss . . . . .	<b>231,639</b>	341,291
Gain on sale of mining and oil and gas properties . . . . .	<b>(979,111)</b>	—
	<b>149,322</b>	50,194
Increase in mortgages payable . . . . .	<b>221,500</b>	—
Bank term loan . . . . .	<b>1,306,933</b>	—
Proceeds on sale of investment in other companies . . . . .	—	1,395,012
Proceeds on sale of mineral, oil and gas properties and equipment . . . . .	<b>2,230,845</b>	—
Proceeds of mortgages receivable . . . . .	<b>357,877</b>	271,895
	<b>4,266,477</b>	1,717,101
 <b>Use of Working Capital</b>		
Investment in and advances to exploration services joint venture . . . . .	<b>100,050</b>	—
Increase in investment in other companies . . . . .	<b>3,000</b>	—
Additions to mining properties . . . . .	—	2
Deferred exploration expenditures . . . . .	<b>102,657</b>	156,485
Carrying charges on land held for investment . . . . .	<b>23,754</b>	32,993
Reduction of mortgages payable . . . . .	—	296,961
Additions to fixed assets . . . . .	<b>36,552</b>	—
Reduction of minority interest . . . . .	—	14,625
Purchase of oil and gas properties and equipment . . . . .	<b>3,331,165</b>	1,241,554
	<b>3,597,178</b>	1,742,620
 <b>Increase (decrease) in Working Capital</b> . . . . .	<b>669,299</b>	(25,519)
<b>Working Capital Deficiency — Beginning of Year</b> . . . . .	<b>2,509,273</b>	2,483,754
<b>Working Capital Deficiency — End of Year</b> . . . . .	<b>1,839,974</b>	2,509,273

# Notes to Consolidated Financial Statements

for the year ended December 31, 1979

Consolidated Morrison Explorations Limited

## 1. Summary of Significant Accounting Policies

### Principles of consolidation

The consolidated financial statements include the accounts of all subsidiaries.

The company's exploration and production activities related to oil and gas are conducted jointly with others and accordingly the accounts reflect only the company's proportionate interest in such activities.

### Exploration services joint ventures

The company's interests in exploration services joint ventures are accounted for by the equity method.

### Oil and gas properties and equipment

The company follows the full cost method of accounting whereby all costs related to the acquisition of, exploration for and development of oil and gas properties in Canada, whether productive or non-productive are capitalized and depleted on a composite unit of production method based on total estimated reserves of oil and gas.

### Mining properties

The company is in the process of exploring its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development, and upon future profitable production.

Exploration expenses and the cost of claims relating to mining properties are deferred until the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are abandoned or sold or considered to be of little future value, at which time they are written off.

### Land held for investment

Land held for investment is carried at cost including applicable carrying charges.

### Fixed assets

Depreciation on fixed assets is provided on the diminishing balance method at rates varying from 15% to 30%.

## 2. Mortgages Receivable

Mortgages receivable consist of:

Interest per annum	Due date	1979 \$	1978 \$
9%	1981	1,205,054	1,205,054
10%	Annual instalments to 1982	1,028,515	1,039,000
11½% to 13%	1982 or earlier	—	199,878
Non-interest bearing	1987	—	80,000
		<u>2,233,569</u>	<u>2,523,932</u>
Less:			
Current portion		<u>239,515</u>	<u>172,001</u>
		<u>1,994,054</u>	<u>2,351,931</u>

## 3. Investment in Other Companies

	1979 \$	1978 \$
Noranda Mines Limited — 450,000* shares — at cost (quoted market value — \$10,068,750; 1978 — 150,000* shares — \$5,512,000)	263,777	263,777
Other listed shares and debentures — at cost (quoted market value — \$32,583; 1978 — \$6,633)	34,312	31,312
Other shares (unlisted or escrowed) — at cost, less amounts written off	37,534	37,534
	<u>335,623</u>	<u>332,623</u>

\* Noranda Mines Limited shares split three-for-one during 1979.

## 4. Oil and Gas Properties and Equipment

	1979		1978
	Cost \$	Accumulated depletion and depreciation \$	Net \$
Oil and gas properties	3,441,182	130,918	3,310,264
Tangible production equipment	244,702	93,385	151,317
	<u>3,685,884</u>	<u>224,303</u>	<u>3,461,581</u>
			1,581,993

## 5. Mining Properties

	1979 \$	1978 \$
Mining claims	688,647	755,541
Deferred exploration expenditures on mining claims	1,050,741	1,659,995
	<u>1,739,388</u>	<u>2,415,536</u>

## 6. Land Held for Investment

Land held for investment is stated at cost which is lower than net realizable value and includes the following:

	1979 \$	1978 \$
Land — at cost	1,103,241	1,103,241
Property taxes and mortgage interest	187,226	159,222
Consulting, engineering and legal costs	113,081	113,081
Applicable portion of administrative expenses	11,029	11,029
	<u>1,414,577</u>	<u>1,386,573</u>
Less: Rental income	39,326	35,076
	<u>1,375,251</u>	<u>1,351,497</u>



7. Bank Loans

The bank loans are secured by investments having a carrying value of \$295,089 (quoted market value — \$10,095,383) and by a general assignment of accounts receivable.

8. Long-Term Debt

Mortgages payable bear interest mainly at 10½% and principal repayments are due as follows:

	\$
1980 .....	30,000
1981 .....	30,000
1982 .....	30,000
1983 .....	31,000
1984 .....	130,500
	<u>251,500</u>

The term bank loan bears interest at prime plus ¾ of 1% and is repayable at approximately \$240,000 per annum. The term bank loan is secured by oil and gas properties and equipment acquired on the purchase of Harris Explorations Limited.

9. Capital Stock

The company has reserved 200,000 shares of treasury stock for the purpose of an employee stock option programme.

The company has granted a share option of 50,000 treasury shares to a consultant to the company. The option has a three year term and is exercisable at \$2.21 per share.

10. Amounts Transferred to Capital Stock

To preserve the capital nature of the company's 1971 Capital Surplus on Hand (as that term is defined in the Income Tax Act of Canada), the directors passed a by-law, effective December 22, 1978 whereby \$2,491,500, representing 1971 Capital Surplus on Hand, was transferred from retained earnings to capital stock.

11. Acquisition of Harris Explorations Limited

Effective January 1, 1979, the company purchased all the issued and outstanding shares of Harris Exploration

Limited, an Alberta based oil and gas producer, for a total cash consideration of \$1,683,000.

The amount assigned to assets acquired was \$2,483,000. The amount assigned to liabilities assumed was \$800,000. The acquisition was accounted for by the purchase method.

In April 1979, Harris Exploration Limited was voluntarily liquidated and its assets were conveyed to Consolidated Morrison Explorations Limited.

12. Reclassification of Comparative Figures

The comparative figures for oil and gas joint ventures have been reclassified to conform with the current year's proportionate consolidation presentation.

13. Related Party Transactions

The company has an interest of approximately \$318,000 in an oil and gas venture in which two of the officers (one of whom is also an investor in the joint venture) are officers of Consolidated Morrison Explorations Limited.

An officer and director of the company purchased from the company for \$85,000 a 5% interest in certain oil and gas properties.

14. Bank Guarantee

The company is contingently liable as guarantor of the bank loan of one of exploration services joint ventures for up to \$100,000.

15. Remuneration of Directors and Senior Officers

Directors and senior officers, as defined in the Business Corporations Act, received direct remuneration of \$151,837 in the year ended December 31, 1979 (\$97,678 in 1978).

16. Income Taxes

The cost for tax purposes of the company's mining properties and oil and gas properties and equipment is approximately equal to the aggregate net book value of these assets.

